



Distr.: General
18 July 2012

Original: English

United Nations Development Programme/
United Nations Population Fund/
United Nations Office for Project Services
Executive Board
Second regular session 2012
4-10 September 2012, New York
Item 9 of the provisional agenda
Financial, budgetary and administrative matters

United Nations Children's Fund
Executive Board
Second regular session 2012
11-14 September 2012
Item 9 of the provisional agenda
Financial, budgetary and administrative matters

Roadmap to the integrated budget: Joint UNDP, UNFPA and UNICEF review on the impact of cost definitions and classification of activities on harmonized cost-recovery rates

Summary

In January 2012, the agencies presented an informal timetable for the joint review which called for formal consideration by the September Executive Board of the joint work on cost recovery, as well as a mock integrated budget. The current document focuses on the joint cost-recovery review. The mock integrated budget will be presented separately as an informal report.

The joint review focuses on the following cost recovery-related deliverables:

- Benchmarking exercise with international organizations for comparative purposes and best practices;
- Overview of the three agencies' business models within the context of the integrated budget and new strategic plans from 2014 onwards;
- Development of a harmonized conceptual framework for defining and attributing organizational costs and cost recovery calculation methodology; and
- Harmonized conceptual framework that includes the following aspects of cost recovery: applicability; assessment of the current harmonized cost-recovery rate; and donor incentives to improve the complementarity between regular resources and other resources.

The joint review has led to a number of important conclusions as presented in Section III. Special attention is drawn to the proposal to replace the current cost-recovery methodology, which is based in part on indirect fixed costs funded solely from core resources, to the approach discussed in paragraphs 16 to 24 which includes the elimination of the distinction between indirect fixed costs and indirect variable costs.

In view of the above, further guidance is requested from the Executive Board, especially with respect to the final cost recovery rate(s) to be adopted during the 2014-2017 period. Accordingly, the agencies propose to present the Executive Board with an update to the present document, including proposed cost-recovery rates, for consideration at its first regular session 2013.



Contents

Chapters	Page
I. Background	3
II. Joint review	3
III. Conclusions	7
Tables	
1. Funding sources: Core and non-core shares per agency	12
2. Current cost-recovery rates per agency	14
Figures	
1. Proposed harmonized conceptual framework for defining and attributing organizational costs	6
2. Current cost-recovery conceptual framework	13
Annexes	
1. Benchmarking: Cost-recovery methods of international institutions	9
2. Comparative summary of business models	11
3. Current cost-recovery methodology	13

I. Background

1. In 2009, UNDP, UNFPA and UNICEF were requested to present a roadmap to achieve harmonised integrated budgets by 2014 in the context of new strategic plans. This required the three organisations ("the agencies") to address and better harmonise their actions to the extent feasible in three major areas:

- a. Classification of activities and their associated costs;
- b. Alignment of planned results presented in budgetary documents to the respective strategic plans and clear linkage between planned results and budgetary allocations;
- c. Assessment of the impact of the approved cost definitions and classifications of the harmonised cost-recovery rates

2. With respect to the first two areas, harmonization has been achieved (see Executive Board documents DP-FPA/2010/1 and E/ICEF/2010/AB/L.10, UNDP/UNFPA Executive Board decision 2010/32, and UNICEF Executive Board decision 2010/20).

3. With respect to the third area, and in line with Executive Board decision 2011/32, the agencies conducted a joint review of the anticipated impact of the cost definitions and classification of activities on harmonized cost-recovery rates in the context of new strategic plans and associated integrated budgets from 2014 onwards.

4. In this regard, in January 2012, the agencies presented an informal timetable for the joint review which called for a document to be presented to the Executive Board in September covering the joint cost-recovery work, as well as a mock integrated budget. The current document focuses on the former; the latter will be presented separately as an informal report. A presentation on preliminary findings and direction was made at a joint Executive Board informal session in May 2012.

5. The joint review focuses on the following cost recovery-related deliverables:

- a. Benchmarking exercise with international organizations for comparative purposes and best practices;
- b. Overview of the three agencies' business models in the context of the integrated budget and new strategic plans from 2014 onwards;
- c. Development of a harmonized conceptual framework for defining and attributing organizational costs and cost-recovery calculation methodology;
- d. Harmonized conceptual framework that includes the following aspects of cost recovery: applicability; assessment of the current harmonized cost recovery rate; and donor incentives to improve the balance between regular resources and other resources.

6. The three agencies have worked collaboratively, with a consulting firm, to produce this report. Many formal and informal analyses, fact-finding and informational meetings were held to arrive at the observations and recommendations contained in it.

II. Joint review

7. The following section summarizes the findings of the joint review, with further information contained in annexes.

A. Deliverable 1: Benchmarking: Cost-recovery methods of international organizations

8. The agencies have conducted an initial benchmarking exercise to gather information about cost-recovery practices employed by the World Trade Organization, the United States Government, European Commission, and the World Bank (see Annex 1 for details.)

9. The following conclusions emerged:

- a. It is possible to classify costs using a consistent methodology or framework that promotes simplicity and transparency.
- b. There is no differentiation between indirect fixed and indirect variable costs.
- c. Costs that are administrative in nature can be charged as direct costs if clear criteria are met.

10. The benchmarking organizations follow an approach modeled on the recovery of indirect costs in line with b. and c. above. In contrast, UNDP/UNICEF/UNFPA's current methodology is more incremental in nature due to the distinction made between indirect fixed costs (base structure) which are fully funded from core resources, and indirect variable costs which are proportionally funded from both core and non-core resources through the cost-recovery mechanism.

11. A preliminary analysis of funding of operational activities for development in the United Nations system, conducted by UNDESA in preparation for the Quadrennial Comprehensive Policy Review, has concluded that if United Nations agencies were to apply an approach modeled on the recovery of all indirect costs, a cost-recovery rate in the order of 15 percent would be required. The analysis was based on data provided by 23 entities accounting for 87 percent of total United Nations development-related expenditures in 2010. The "analyses of the sources, modalities and destination of funding for operational activities for development show that core resources, compared to non-core resources, cover a significantly higher share of non-programme institutional (indirect) costs of entities."¹

12. The UNDESA report also refers to the joint work being undertaken by UNDP, UNICEF and UNFPA on cost-recovery harmonization, and underscores that it can provide an impetus for other United Nations agencies.

B. Deliverable 2: Comparative business overview

13. The business models of UNDP, UNFPA and UNICEF were examined to understand similarities and differences that exist between the agencies and how this might impact on the harmonized cost-recovery methodology. The elements assessed included the mandate, size, location, unique functions and activities, and funding sources of each agency. Annex 2 contains a summary of the details.

14. While the mandates of the three agencies have a similar global reach, UNDP and UNICEF have a much larger funding base in comparison to UNFPA, and thus benefit from certain economies of scale. As such, in principle, UNFPA would likely require a share of management-to-programme costs that is proportionately higher than that of UNDP and UNICEF. Further, UNDP faces significant organizational costs from United Nations development coordination activities and special-purpose activities such as those relating to UNV and UNCDF that fall largely within its mandate. It is therefore important to carefully consider the implications of applying a "harmonized cost-recovery rate" across three organizations with differing business models.

15. In the sections below, the fundamental implications of adopting a harmonized conceptual framework and a harmonized cost-recovery calculation methodology are further addressed, as are their implications for harmonized cost-recovery rates and proportionality.

¹ Draft report of the Secretary-General. "Analysis of funding of operational activities for development of the United Nations system for the year 2010." United Nations, 28 May 2010.

C. Deliverable 3: Harmonized conceptual framework and cost-recovery calculation methodology

16. The agencies determined the need for a cost-recovery framework and methodology consistent across each agency to achieve the goal of harmonization. Key considerations reflected in the harmonized conceptual framework include:

- a. Basis: Harmonized cost classifications as approved by the Executive Board;
- b. Approach: Increased simplicity, transparency, and comparability;
- c. Impact: Indirect fixed costs are no longer separately defined and subject to full funding from core resources;
- d. Funding: Enhanced complementarity between core resources and non-core resources in funding management costs, coupled with an assured level of core resources available to fund those critical, cross-cutting functions that underpin the integrity of the business models and mandates of the agencies.

17. The current cost-recovery methodology and cost-recovery rates are presented in more detail in Annex 3. It is proposed that no further distinction be made between indirect fixed and indirect variable costs. This is to achieve greater simplicity and transparency, and to address the increasing imbalance between core and non-core resources relative to the funding of total organizational costs.

18. The proposed approach is supported by the results of the benchmarking exercise. In addition, it is aligned with the new cost-classification categories and definitions approved in decision 2010/52 by the UNDP/UNEP/Executive Board and decision 2010/20 by the UNOCHA Executive Board as defined below:

a. *Development activities*: These comprise costs associated with 'programmes' and 'development effectiveness' activities which contribute to, and are essential for the realization of effective development results, as follows:

(i) *Programmes*: Activities and associated costs traced to specific programme components or projects, which contribute to delivery of development results contained in country/regional/global programme documents or other programming arrangements.

(ii) *Development effectiveness*: The costs of activities of a policy-advisory, technical and implementation nature that are needed to achieve the objectives of programmes and projects in the focus areas of the organisations. These inputs are essential to the delivery of development results, and are not included in specific programme components or projects in country, regional, or global programme documents.

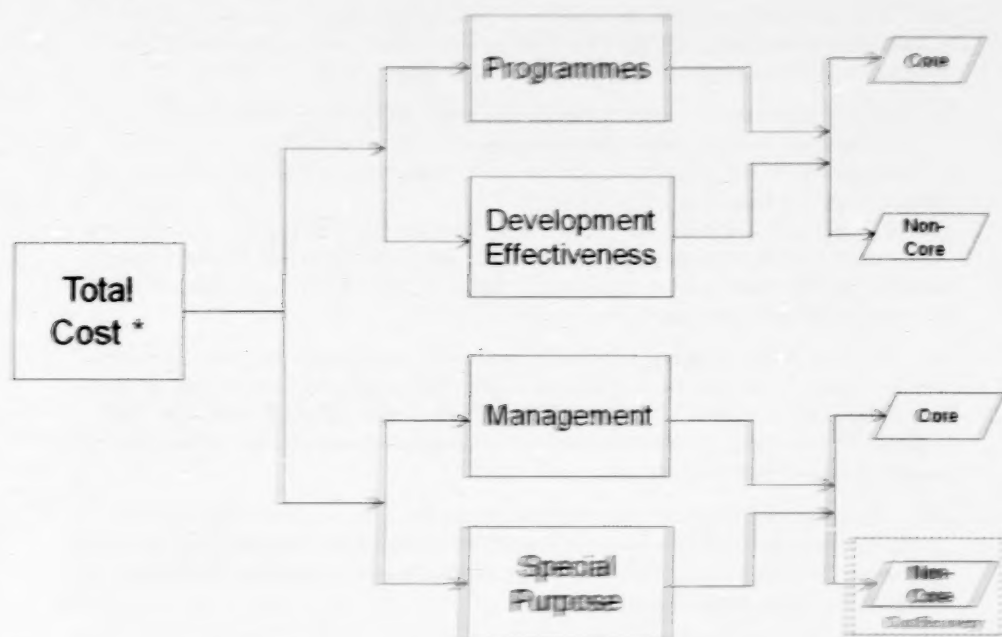
b. *Management*: This comprises activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organisation. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources.

c. *United Nations development coordination*: This comprises activities and associated costs supporting the coordination of development activities of the United Nations system

d. *Special purpose*: This covers activities and associated costs of (a) capital investments; and (b) services for other United Nations organizations.

19. In view of the above, a harmonized conceptual framework has been developed to define and attribute organizational costs in the context of the new strategic plan and integrated budget from 2014. This is reflected in Figure 1 below.

Figure 1: Proposed harmonized conceptual framework for defining and attributing organizational costs



* Includes activities and associated costs of non-comparable nature, such as those relating to United Nations development coordination activities and special-purpose activities (UNV and UNCDF).

20. The proposed harmonized conceptual framework outlined above has the following implications:

a. In principle, all management activities of the three agencies, and comparable special-purpose activities like capital budgets, would be funded with a level of proportionality through cost recovery. The funding of these activities would be with a level of proportionality shared between core and non-core resources.

b. Given the unique, ongoing nature of United Nations development coordination activities, and special-purpose activities (UNV and UNCDF), there continues to be a lack of comparability between the three agencies. It is thus proposed that they be excluded from the conceptual framework and addressed separately by each agency within the context of their integrated budget proposals.

c. In principle, development effectiveness activities and associated costs would need to be directly funded from core and non-core resources. This will require a transition period to ensure that adequate funding mechanisms can be developed and implemented.

21. This conceptual framework reflects a number of positive elements with respect to cost recovery (harmonization, simplicity, transparency, increased proportionately). But it also has major organizational change and financial implications, all of which need to be thoroughly considered and planned for in advance. A flexible implementation of the new conceptual framework over a transition period should therefore be considered.

22. In view of the above, it is proposed that the harmonized cost-recovery rate be calculated as follows:

- (i) Calculate the sum of management and comparable special-purpose costs;

(ii) Take the amount calculated in step (i) and split it proportionally according to the levels of total planned core and non-core expenditures;

(iii) Take the amount calculated in step (ii) to be recovered from non-core resources and calculate it as a percent of a total planned non-core development expenditures;

(iv) The amount in step (iii) equals the notional cost-recovery rate on non-core resources.

23. The proposed harmonized cost recovery-rate calculation should also factor in an assured level of core resources that would be available to each agency to ensure the funding of those critical, cross-cutting functions and activities that underpin the integrity of their business models and mandates.

24. The harmonized conceptual framework and cost-recovery calculation methodology are further discussed in Section D. They will have an important impact on the extent to which cost-recovery rates can be harmonized and a harmonized proportional attribution of organizational costs between core and non-core resources can be achieved.

D. Deliverable 4: Role of cost recovery

25. In principle, a key objective of the joint review is to achieve an equitable proportional balance between core and non-core resources in meeting organizational costs.

26. The application of a single harmonized cost-recovery rate to the non-core resources of the three agencies implies that while there would not be undue competition in the mobilization of non-core resources, there would be variability in the core resources of each agency.

27. In contrast, while a non-harmonized cost-recovery rate could cause undue competition in the mobilization of non-core resources, it would result in core resources playing a similar proportional role in each agency.

28. As such, further analysis and consultations are required to determine whether (i) the current harmonized methodology, from which the existing harmonized rate of seven per cent is derived, remains appropriate; (ii) core donors currently bear an undue share of organizational costs; and (iii) the cost-recovery rate for each organization lends itself to harmonization.

29. In addition, possible options have been explored for adopting differentiated rates, reflective of differentiated costs in managing different volumes of funds and differing nature of funds. These include:

- a. Complex development situations with attendant increased risks;
- b. Volume of contributions;
- c. Programme-country contributions, national committees and south-south cooperation;
- d. Other possible differentiated rates, for example, for degree of earmarking.

III. Conclusions

30. Based on the findings of the joint review, the agencies propose that the Executive Board:

(i) Take note that the agencies have different business models which imply that their funding structures will differ.

(ii) Take note that in the harmonized conceptual framework, costs should be defined and funded in line with the cost categories approved by the Executive Boards.

(iii) Recommend no distinction be made between indirect fixed costs and indirect variable costs.

(iv) Recommend that development costs (programme and development effectiveness activities) be directly funded from core and non-core resources.

(v) Recommend that management and comparable special-purpose costs should have a level of proportional funding from core and non-core resources in line with a simple, transparent and harmonized cost-recovery calculation methodology and rate structure.

(vi) Recommend that given the unique nature and differing implications of United Nations development coordination activities and certain special-purpose activities, and resulting lack of comparability, that the funding of these activities and associated costs be addressed in the context of each agency's integrated budget proposals.

(vii) Recommend that an assured level of core resources be made available to fund critical, cross-cutting functions necessary for ensuring the integrity of each agency's business model and mandate.

(viii) Take note that the application of a single harmonized cost-recovery rate on non-core resources implies that there will most likely be variability in the proportionality of core resources used to fund organizational costs by each agency. The reverse is also true in that the application of non-harmonized cost-recovery rates would most likely result in similarity in the proportionality of core resources used to fund organizational costs by each agency.

(ix) Propose that in view of all of the above, further guidance from the respective Executive Boards and in-country agency colleagues be obtained to assist in the determination of the final cost recovery rate(s) to be adopted by the three agencies for the 2014-2017 period. This should include transitional arrangements leading to a revised harmonized cost-recovery calculation methodology that would ensure improved funding proportionality between core and non-core resources, but that would not affect each agency's ability to mobilize essential non-core resources to deliver meaningful development results.

Annex 1: Benchmarking: Cost-recovery methods of select international institutions

31. The agencies conducted a benchmarking exercise to gather information about cost-recovery practices employed by the World Trade Organization (WTO), the United States Government, the European Commission (EC), and the World Bank.

Summary of benchmarking elements

	<i>Direct costs</i>	<i>Indirect costs</i>	<i>Cost recovery</i>
<i>US Gov't/ WTO</i>	• Cost identified specifically with a particular programme or project • Not limited to items incorporated in the end product such as material or labor	• Not a direct cost; not directly identified with a single programme, but identified with two or more programmes or projects • Applied in a manner which equitably allocates the particular cost across the business activities which benefit from such cost	• Single or multiple (segment) rates used for recovery of indirect costs
<i>EC</i>	• Meets required conditions, including: be identifiable; demonstrable; have actually been incurred in the course of the action and be directly linked to (and necessary for) the action	• Costs indirectly related to the action, but do not meet required criteria to be defined as direct eligible cost	• Will fund up to 7% of total eligible direct costs to cover indirect costs
<i>World Bank</i>	• Costs that can be easily allocated to specific tasks • Costs related to activities that sustain internal management and administration of a unit	• Costs of doing business that cannot be readily identified with a particular project or activity	• Customized rates (fee arrangement) for the recovery of indirect costs

World Trade Organization and United States Government²

32. Cost-accounting and cost-recovery methods promulgated by the United States Government and adopted by the WTO are guided by principles of transparency, consistency, accountability, auditability and rigour of analysis. Although specific methodologies may vary among Government agencies, there are consistent guiding principles in use.

33. Overall, these agencies require costs to be estimated, budgeted, accumulated and ultimately reported in a similar manner to promote consistency and transparency. If a cost is incurred for the same purpose, in like circumstances, it is either a direct cost only or an indirect cost only. A direct cost is defined as any cost which is identified specifically for, or in direct support of, a particular programme or project. It is not limited to items which are incorporated in the end product such as material or labour. For example, travel or programme office space may be considered a direct cost. Costs identified specifically with a programme are direct costs of that programme.

² 48 CFR 2.101 (2010). Code of Federal Regulation. <https://www.acquisition.gov/far/html/Subpart%202.1.html#wp1145507>

34. Indirect costs are defined as any costs not directly identified with a single programme, but identified with, or benefit, two or more programmes or projects. Indirect costs are applied in a manner that equitably allocates the particular cost across the business activities which benefit from such cost. For example, management costs would likely be spread equitably over all projects, as all projects benefit from management costs.

35. Allocation of costs is the assignment of an item of cost, or a group of costs, to one or more cost objectives (i.e., programmes). When allocating costs, those determined to be direct are assigned to a particular programme, while indirect costs must be grouped and assigned based on a defined, yet consistent, allocation methodology. An entity may develop a rate based upon a single allocation or develop multiple (segment) rates. A single rate is generally acceptable where an organisation's major functions benefit from its indirect costs to approximately the same degree. Multiple (segment) rates are generally necessary when an organisation's indirect costs benefit its major functions to varying degrees. The selection of an appropriate allocation method should be based upon the commonality of costs to programmes. As an example, general and administrative or management costs can generally be allocated across all programmes, based on relative magnitude.

European Commission³

36. The European Commission has established definitions for direct and indirect costs related to financing an action of an international organisation. Direct costs eligible for funding should fulfil a number of conditions, including: be identifiable, demonstrable, have actually been incurred in the course of the action and be directly linked to, and necessary for, the action.

37. Conversely, indirect costs are those indirectly related to the action, and are not easily identifiable with the degree of accuracy required to comply with the conditions for direct eligible cost. Indirect costs do not necessarily equate to a specific category of costs (for instance, administrative costs are not necessarily indirect). Indirect costs cover any other costs related to the action but which cannot be substantiated as required by Article 14.1 of the General Conditions⁴ and which cannot therefore be treated as direct costs. Therefore, as an example, costs which appear to be administrative in nature can be charged as direct if the required conditions are met.

38. To cover an organisation's indirect costs, the EC permits a flat-rate funding up to a maximum of seven per cent of total eligible direct contributions. Said differently, an international organisation may have indirect costs in excess of seven per cent of direct costs, however the EC will not provide funding in excess of this amount.

The World Bank⁵

39. At the World Bank, direct costs are those easily attributable to specific tasks (staff costs as measured through the World Bank's time recording system, plus consultant costs, travel and specific project-related costs). Sustaining costs are also considered direct, and are defined as costs related to all activities that sustain internal management and administration of a unit (i.e., Chief Accounting Officer and team, Human Resources Officer, Country Directors, etc.).

³ European Commission. Development and Cooperation - Europeaid. FAQ.

http://ec.europa.eu/europeaid/work/procedures/faq/international_organizations_en.htm

⁴ Article 14.1 of the General Conditions contains the criteria for direct cost classification.

⁵ The World Bank. Policy Guidance Note on Trust Fund Cost Recovery. 4 April 2011.

40. Indirect costs are defined as the costs of doing business not readily identified with a particular project or activity. Examples of indirect costs include communications and information technology, office occupancy, equipment and furniture.

41. The Bank applies cost recovery to its trust funds, which is only a portion of its activities. For management and administration of trust funds, the Bank recovers indirect costs by including a mark-up on hourly (weekly/monthly/annual) staff time charges in its time-recording system. The mark-up varies by staff type and location (HQ staff, HQ staff in Country Office, or Country Office staff).

42. All trust funds administered by the Bank adhere to one of the following two cost-recovery principles:

a. The Bank shares costs of administering standard fee arrangements (i.e., trust funds that directly support the Bank's own work programme and those that support the preparation of Bank-financed operations), and

b. The Bank recovers the full costs of administering customized fee arrangements regardless of size.

Annex 2: Comparative summary of business models

43. The business model comparison of each agency included an examination of the following parameters: Mandate, size, location, development coordination and management and use of cost-recovery resources.

44. **Mandate:** UNDP's mandate is to help countries develop and share solutions to meet the challenges of: democratic governance, poverty reduction and MDGs, crisis prevention and recovery, environment and energy and HIV/AIDS. UNICEF advocates for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. UNFPA supports countries in using population data for policies and programmes to promote the right of every woman, man and child to enjoy a life of health and equal opportunity.

45. **Size:** All three agencies operate globally in many countries. For UNFPA, estimated income in 2012-2013 is \$1,094 million in core resources and \$872 million in non-core resources. For UNDP, estimated income in 2012-2013 is \$2,417 million in core resources and \$10,471 million in non-core resources. For UNICEF, estimated income in 2012-2013 is \$2,709 million in core resources and \$8,991 million in non-core resources. (Source: 2012-2013 institutional budget documents.)

46. **Location:** All three agencies are headquartered in New York. UNFPA has five regional and six sub-regional offices, and four liaison offices. UNDP has six regional service centres, six representation offices, and two global shared service centres (Copenhagen and Kuala Lumpur). UNICEF has seven regional offices, as well as a research centre in Florence, a supply operation in Copenhagen and offices in Tokyo and Brussels.

47. **United Nations development coordination and special purpose:** UNDP funds and manages the United Nations Resident Coordinator system, and chairs the United Nations Development Group. In addition, UNDP provides funding for two other critical United Nations Programmes, namely the United Nations Volunteers and the United Nations Capital Development Fund. UNFPA and UNICEF also perform some limited United Nations development coordination functions. However, given that the staff performing these functions also carries out other functions, the costs of the posts are streamlined into other cost-classification categories.

48. **Funding sources:** All contributions to the agencies are voluntary in nature (i.e., there are no assessed contributions). They are either deemed core resources (also called regular

resources) contributed to the agency centrally on an annual or multi-year basis and allocated in accordance with Executive Board decisions, or non-core resources (also called other resources) earmarked by the donor for specific projects, programmes, and/or specific recipient countries. Table 1 depicts resource levels as presented in the 2012-2013 institutional budgets⁶.

Table 1: Funding sources: Core and non-core shares per agency

UN agency	% share of core resources	% share of non-core resources
UNDP	21%	79%
UNICEF	32%	68%
UNFPA	61%	39%

49. As shown in Table 1, both UNDP and UNICEF are highly dependent on non-core resources, which account for 79 percent and 68 percent of total income respectively. In contrast, UNFPA receives 61 percent of its resources as core contributions, but its non-core share, like the other agencies, is rising.

⁶ UNDP, UNFPA and UNICEF 2012-2013 institutional budgets: DP/2011/34, DP/FPA/2012/1 and E/ICEF/2011/AB/L.2

Annex 3: Current cost-recovery methodology

50. All organizational costs are classified into direct, fixed indirect and variable indirect costs, based on the mandate and business model of each organisation and according to the following common definitions of cost categories and principles for cost recovery adopted by the High Level Committee on Management in 2003:

51. *Direct costs* are defined as all costs that are incurred for, and can be traced in full to, an organisation's activities, projects and programmes in fulfilment of its mandate. Included are the costs of project personnel, equipment, project premises, travel and any other input necessary to achieve the results and objectives set out in programmes and projects.

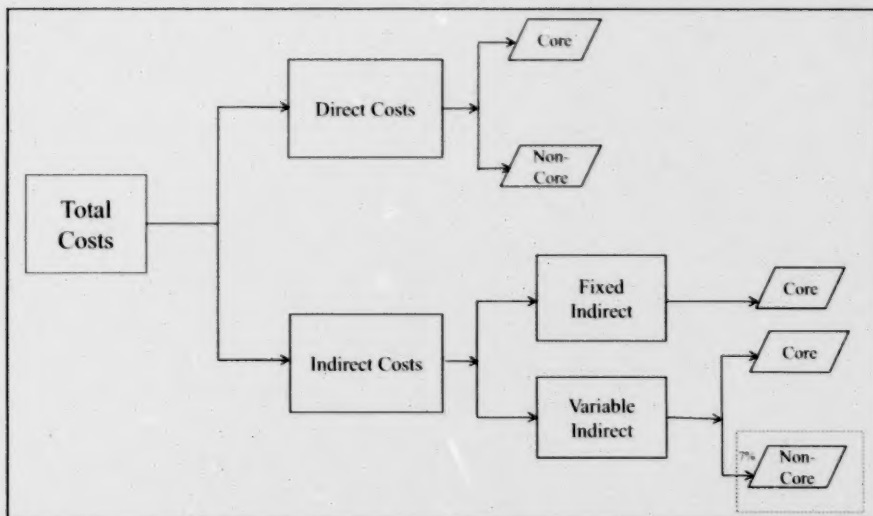
52. *Fixed indirect costs* are defined as costs incurred by the organisation regardless of the scope and levels of its activities and which cannot be traced unequivocally to specific activities, projects and programmes. These costs typically include the top management of an organisation, its corporate costs and statutory bodies not related to service provision.

53. *Variable indirect costs* are defined as costs incurred by the organisation as a function of and in support of its activities, projects and programmes and cannot be traced unequivocally to specific activities, projects and programmes. These costs typically include services and administrative units, as well as their related system and operating costs.

54. The policy of the agencies for the past several biennia has been to fund fixed indirect costs solely from core resources, and to fund variable indirect costs proportionally from core and non-core resources, based upon relative programme volume.

55. The current cost-recovery conceptual framework can be summarized in Figure 2 below:

Figure 2: Current cost-recovery conceptual framework



56. All three agencies currently calculate the cost-recovery rate as follows:

1. Total the sum required for the institutional budget
2. Subtract from this the aggregate fixed indirect costs
3. The amount in #2 equals the variable indirect costs to be recovered
4. Take the amount calculated in #3 and split it proportionally according to the levels of planned core and non-core resources

5. Take the amount calculated in #4 to be recovered by non-core resources, and calculate it as a percentage of planned non-core programme expenditures
 6. The amount in #5 equals the required non-core cost-recovery rate.
57. The cost-recovery rates in place for each agency are as follows:

Table 2: Current cost-recovery rates per agency

Agency	Cost-recovery rate
UNDP	• Seven per cent for third-party non-core contributions • A minimum of three percent for programme-country contributions
UNFPA	• Five per cent on expenditures financed by programme countries contributing to their own country programme • Seven per cent on all other co-financed expenditures
UNICEF	• Seven per cent recovery rate for non-core, non-thematic contributions • Five per cent for non-core, thematic contributions as well as non-core funds raised directly by UNICEF Country Offices, including thematic and non-thematic contributions • One per cent reduction in the cost-recovery rate for contributions over \$40 million and joint programmes, subject to review and approval by the Executive Director